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The President's Daily Brief

September 30, 1974

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~~*Top Secret*~~ 25X1

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PORTUGAL

Prime Minister Brigadier General Vasco Goncalves told the Portuguese people in a television address late last night that they had just lived through "a first full-fledged attack by reaction" on the government set up after the coup on April 25.

He said that the demonstration in support of President Spinola scheduled for September 28, the cancellation of which triggered two days of tension, was directed against the Armed Forces Movement. Goncalves assured his listeners that the episode had strengthened the unity between the armed forces and the Portuguese people and improved conditions for the development of democracy in Portugal. The Prime Minister defended the government's achievements, particularly the decolonization policies in Africa, and re-emphasized the determination of the Armed Forces Movement to carry out its program and to avoid civil war in Portugal "above all."

Goncalves did not refer to President Spinola, who is scheduled to address the nation early today.

The period of tension began on Saturday when the Armed Forces Movement, which is dominated by young, left-leaning officers, persuaded President Spinola to cancel a political rally that had been billed as a pro-Spinola demonstration by the "silent majority."

The Movement, and virtually all other political forces to the left of center, regarded the rally as the beginning of an effort by the political right to regain power in Portugal.

The sponsors of the rally probably were hoping, in fact, for a large demonstration that would help Spinola in his continuing contest for power with Prime Minister Goncalves, one of the leaders of the Movement. Rightists at the rally might have provoked violence, which could have been used by Spinola as evidence that the government could not maintain order and should be replaced by one that could.

Spinola had been aided in previous disputes with the left by chief of staff General Costa Gomes, who is highly respected throughout the armed forces. On this occasion, Costa Gomes appears at the last

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moment to have thrown his weight against the rally. Without the support of Costa Gomes in the future, Spinola's position would be seriously weakened.

Spinola met yesterday with the Coordinating Committee of the Armed Forces Movement, presumably to discuss the status of the government. It seems certain that the Movement is insisting on curbing Spinola's authority and increasing its own.

Another effect of the developments over the weekend will be to reduce the chances of an orderly campaign leading to the scheduled election next March. Regardless of what ulterior motives they may have had, conservatives were prevented from having a political rally at a time when leftist demonstrations are commonplace. Political parties of the center and right, which have just begun to emerge, could conclude that they cannot gain power except by force.

The affair also demonstrated once again that the left, and the Communist Party in particular, is far better organized than any other political group. The Communists mobilized all of their considerable assets in the media and in labor to achieve their objectives. They also effectively sealed off access to Lisbon in order to keep attendance at the rally low. Leftist vigilantes were observed with Communist Party armbands directing traffic and searching cars, and, according to the US consul in Oporto, Communist Party members were able to stop all railroad traffic from the north.

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CAMBODIA

Despite continuing unrest in Phnom Penh, where coup rumors have been circulating, it does not seem likely that Cambodian army officers will attempt to oust the government of Lon Nol anytime soon.

Rumors late last week of an impending move by senior Cambodian army officers against the government added to the widespread unrest already caused by economic problems. In addition, a number of generals and civilian officials are greatly disturbed by the return to Phnom Penh of the President's controversial younger brother, Lon Non, who has already been throwing his weight around.

The strongest deterrent to a coup is the realization on the part of potential plotters that the US strongly opposes such a move. [redacted] 25X1

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[redacted] Disaffected military leaders also seem aware of the adverse impact an overthrow of Lon Nol would have on Phnom Penh's prospects for retaining its UN seat during the credentials battle this fall in the General Assembly. 25X1

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INTERNATIONAL FINANCE

West Germany has called for the establishment of an international bank that would attract surplus oil revenues from oil exporters and lend to governments and businesses in oil-importing countries. This suggestion, and similar proposals for multilateral recycling of such revenue, will be discussed at meetings of the International Monetary Fund this week in Washington.

The West Germans consider recycling necessary to aid countries unable to finance deficits on their own. A large multilateral plan could help Germany's trading partners in this way and prevent some of them from adopting restrictive trade measures.

In addition, a wide multilateral scheme would probably make it unnecessary for the EC to establish a limited recycling operation of its own.

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The British also favor a multilateral recycling plan, largely because they are aware they may be forced to borrow from such an institution in the future.

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